

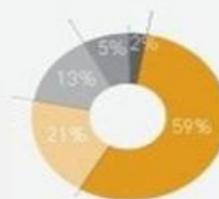
TASE summarizes the first half of 2017*

Prices rise, increase in trading volumes and a wave of offerings on the shares and bonds markets

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- **Increases on most indices of leading shares, continuing the trend from 2016;**
- **Shares** in the TA-90 index rose **14%**, continuing the rise of 17% for the whole of 2016, while **the TA-35 index dropped 2%, impacted by the pharma shares** included in it;
- **Reform of the indices** that started on February 9 and huge sell-offs by interested parties, for NIS 2.7 billion **contributed to the 30% rise in trading volumes on the shares market (excluding ETNs)** as compared with the previous year;
- **Wave of IPOs since start of the year** - eight new companies were registered for trading on TASE, more than all the companies together registered in the last two years - and raised NIS 1.2 billion:
Among the new offerors - UAV manufacturer **Aeronautics**, which offered shares in June for a value of NIS 404 million for sale to the public and raised NIS 53 million more - **the biggest IPO for a Hi-tech company on TASE** and the biggest IPO by a new company since the "Azrieli" offering in June 2010.
- **Strengthening of issues on the Tel-Aviv bonds market, indicating a record year** - companies have raised NIS 34.4 billion as compared with NIS 63 billion in whole 2016.
Five US real-estate companies registered for trading in an initial bonds offering to the public and raised NIS 2.5 billion;
- **Trading volumes in corporate bonds reached record levels and stood at NIS 0.9 billion in a single day;**
- **Rise of 3%** in corporate bonds prices as compared with 1% in government bonds;

* Data for the first half of 2017 represents an estimate as of June 26, 2017.



Shares market

Main shares indices

Index	1-6/2017	1-12/2016
TA-35	-2%	-4%
TA-90	14%	17%
TA-SME60	3%	24%
TA-Growth	15%	18%
TA-Tech-Elite	2%	16%
TA-Banks5	10%	18%
TA-Real Estate	15%	17%
TA-Oil & Gas	1%	18%

- **Indices - Bull market in Tel-Aviv too:**

Increases in prices characterized most of the Tel-Aviv share indices, a continuation of the previous year's rises, similar to the trend on the world's leading stock exchanges. Rises in Tel-Aviv were supported by:

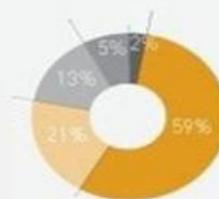
- Increases on NASDAQ (15%) provided a tail wind for dual-listed shares traded in Tel-Aviv.
- "Zero" interest in the market (0.1%) since 2015 that led to a rise in corporate earnings in particular in real estate companies.
- Positive macroeconomic data such as an unemployment rate below 4.5%, strengthening of the shekel.

An exception this year too - the TA-35 index decreased by 2% in the first half of the year, a continuation of the decrease of 4% for the whole of 2016, impacted by sharp drops in Big Pharma shares including **Teva** and **Perrigo**, which each dropped about 18%, and **Mylan**, down about 9%.

Daily volumes (in NIS millions)

	1-6/2017	Average 2016
Shares incl. ETN	1,540	1,269
Shares excl. ETN	1,210	922

- **Daily share volumes excluding ETN** that came to NIS 1.2 billion in the first half of 2017, rose 30% compared with average trading throughout 2016.
- **Daily share volumes** (including ETN) that came to NIS 1.0 billion in the first half of 2017, 20% up on average volumes for the whole of 2016. Contributors to the increase in volumes included:



○ **Reform of TASE indices:**

Leading up to the reform - as part of the preparations of both companies and the public, there was an increase from NIS 1.2 billion per day in the period January - October 2016 to NIS 1.4 billion per day in November and December 2016 and January 2017.

Just before the reform - February 9, 2017 - a 6.5 year record in stock exchange trading volumes was broken, with a giant trading of NIS 12 billion (on and off the stock exchange).

After the reform - trading volumes settled down at NIS 1.5 billion per day in May and June.

○ **Sales by interested parties:**

The reform of TASE indices and the need to divest holdings caused by the Market Concentration Law led interested parties to a massive shares sell-off. Sales of interested parties to the public came to NIS 2.7 billion in the first half of the year, a continuation of the record sales of NIS 6 billion for the whole of 2016.

○ **Foreign investors:** According to data from the Bank of Israel, in the first four months of 2017 and after a break of a year, purchases of shares in Tel-Aviv restarted by foreign investors and came to NIS 2.4 billion, following disposals of NIS 1.6 billion for the whole of 2016.

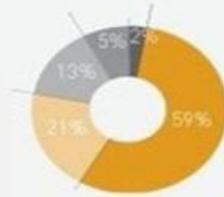
Capital Raised / new companies:

**Capital Raised by shares and Convertibles
(In NIS millions):**

	1-6/2017	1-6/2016	2016
Shares and Convertibles in Tel-Aviv	4,650	3,289	6,936
Of which: by new companies	1,209		259
(Number of new companies)	(8 companies)	-	(3 companies)
Shares and Convertibles abroad	1,450	730	*22,596
Total	6,100	4,019	29,532

* Of this NIS 21 billion was a private allocation carried out by "Teva" as part of the acquisition of the generic business of Allergan.

- In the first half of the year NIS 4.7 billion was raised on the Tel-Aviv Stock Exchange - a jump of 40% compared with the first half of 2016. **A wave of IPOs has contributed to the sharp increase this year**, as part of which 8 new



companies joined TASE, more than the number of new companies in the past two years. The new companies raised NIS 1.2 billion:

After the Fimi Fund made a successful exit via TASE, other funds started to use this possibility.

❖ Two **technology companies** raised NIS 0.5 billion -

Aeronautics, which develops, produces and markets UAVs, and electro-optical and communications systems, offered shares for NIS 404 million in an IPO through the Bereshit, KCPS and Viola funds, and raised NIS 53 million more in a private placement. The Company value following the offering is NIS 1 billion. **This is the biggest IPO ever carried out by a Hi-tech company in TASE's history**, and the biggest by a new company since the "Azrieli Group" offering in June 2010. The Company's shares will join the TA-90 and Tech-Elite indices at the beginning of September.

Communications solutions supplier **Telrad Networks** raised NIS 163 million from the public, of which NIS 83 million through a sales offering by the Fortissimo Fund and Koor Industries. Its shares will join the SME-60 and Tech-Elite indices at the beginning of August.

❖ NIS 0.3 billion was raised by **Novolog**- which provides logistical services and delivery of drugs and medical accessories. The company issued shares for NIS 280 million in an IPO through the FIMI Opportunity Funds (managed by Mr. Ishay Davidi) and Mabat-Up (owned by Mr. Ehud Pozis).

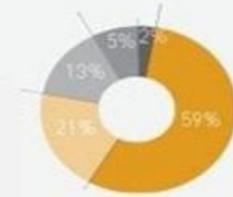
❖ Four real estate companies raised NIS 0.3 billion - **Minrav Holdings** (NIS 132 million), **Lesico** (NIS 72 million), **Menivim REIT** - the fourth REIT issued on TASE (NIS 63 million), and **Medi Power** (NIS 35 million).

❖ The gas and oil partnership **Ratio Petroleum**, which holds licenses in Guyana, Malta and the Philippines, raised NIS 0.1 billion. This is the first offering following changes to the stock exchange rules that allow oil and gas partnerships to also raise capital for business activities abroad.

- Among the longer established offerors were prominent companies in the real estate sector, which as was stated have benefited in recent years from low interest rates. Seven real estate companies raised NIS 1.1 billion in the first half of 2017, representing about half the sum raised by traded companies in public offerings.

Dual-listing Companies

Two companies traded on TASE have been registered for dual trading on the NASDAQ:



- Biomed company **Therapix Biosciences**, which develops drugs from cannabis and its oils, has been traded on TASE since 2005, and did an IPO in the USA, raising NIS 44 million, and has registered its shares for dual trading on the NASDAQ (Symbol: TRPX), since March 22.
- Technology company **Foresight Autonomous Holdings**, whose shares have been traded on TASE since the start of 2016, registered its shares for dual trading on the NASDAQ (Symbol: FRSX) since June 15. There are currently 64 companies traded on TASE whose shares are also traded in the USA or also in Europe.

Market for bonds and short-term loans

Main Indices:

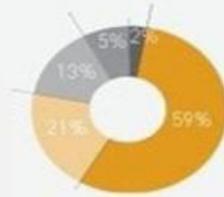
	1-6/2017	2016
Corporate bonds:		
Tel Bond-20	3.5%	2.9%
Tel Bond-40	2.5%	1.7%
Tel Bond- Yields	3.5%	6.2%
Tel Bond- Shekel	3.5%	2.4%
Tel Bond- Shekel Yields	4.0%	4.4%
Government bonds		
CPI linked	0.5%	0.7%
Shekels - Fixed interest	1.5%	1.3%

On account of low interest and in order to achieve higher yields, **investors are continuing to prefer investing in corporate bonds over government bonds:**

- An increase of **3.5%** has characterized corporate bonds included in the **Tel Bond - Shekel** index, whereas a more modest increase of 1.5% has characterized government shekel bonds.

It should be noted that the Fed's interest rate rose by a quarter of percent, for the second time this year, to 1.25%, and a further increase is expected this year, while in Israel the interest rate is grazing zero and no interest rate is expected this year.

- An increase of 2.5% - 3.5% has characterized CPI-linked **corporate bonds** included on the **Tel Bond-20** and **Tel Bond-40** indices, as compared with an increase of about only half a percent for CPI-linked government bonds.
- The **Tel Bond - Shekel Yield** index has also been prominent this year and has led with an increase of 4.0% in the first half of 2017, which was a form of



"compensation" for the rating of the bonds included in it - Maalot rating -BBB to A and Midroog Baa3 to A2.

Daily volumes (in NIS millions)

	1-6/2017	Average 2016
Government bonds	2,685	2,733
Corporate bonds including ETN	1,079	1,028
Corporate bonds not including ETN	938	831
Total bonds including ETN	3,764	3,761
Short-term loans	243	345

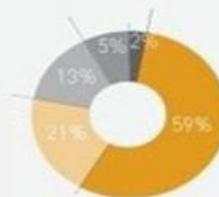
- **Trading volumes in corporate bonds continue to rise:**

- ❖ The daily trading volume in **corporate bonds (not including ETN)** came to NIS **0.9** billion in the first half of 2017 - this volume is 13% higher than the average trading volume in 2016, and **is the highest for corporate bonds in TASE's history.**

On May 18, on the eve of the update of the Tel-Bond indices, there was a massive trading volume of NIS 9.3 billion on the bonds market. NIS 6.4 billion of this was trading in corporate bonds.

- ❖ On the other hand, daily trading volumes in **government bonds** declined and came to NIS 2.7 billion in the first half of 2017, slightly lower than the average trading volume for 2016. The decrease was due to the government "Shachar" bond, whose daily trading volume has come to NIS 1.6 billion this year, as compared with NIS 1.7 billion in 2016.

The decrease in trading volume of government bonds contributed to the decline in activity by foreign investors, who sold government bonds for NIS 200 million in the first four months of 2017, after having purchased NIS 1.3 billion in 2016.



Bond offerings

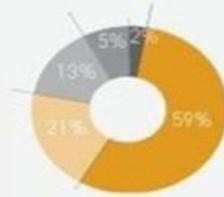
Corporate bonds:

Corporate bonds offerings (in NIS millions):

	1-6/2017	1-6/2016	2016
Bonds to the public	34,359	30,634	63,298
Of which: By new companies (Number of new companies)	2,098 (4 companies)	1,865 (4 companies)	2,629 (7 companies)
Bonds to Institutional	2,100	733	3,837
Total	36,459	31,367	67,135

- In the first half of the year, the companies raised NIS **34.4 billion from the public** on TASE bonds market, more than half the amount raised in the record year of 2016. Most of the amounts raised were intended to redeem quoted bonds this year and next. The optimistic atmosphere in the market is supported by low inflation and the strengthening of the shekel.
- Half the amount raised was in **non-linked bonds with fixed interest**, similar to the first half last year, and NIS **17.3 billion** was raised in the first half of 2017; **CPI-linked bonds** represented 46% of the amount raised in the first half last year, compared with 37% and NIS **12.6 billion** in the first half of 2017; the proportion of **dollar linked bonds** went up to 13% of all money raised from the public this year from just 4% in the first half last year and NIS **4.5 billion** was raised.
- **The non-financial sector expanded its activity** and raised NIS 29 billion - 64% higher than the corresponding half-year the previous year, while the **financial sector** raised NIS **5.4 billion**, 60% lower than the amount raised in the corresponding period last year.
 - **Real estate companies raised NIS 17.4 billion.** This amount represents 60% of the amounts raised in the non-financial sector this year, as compared with NIS 8 billion raised in the corresponding half-year the previous year, being 45% of the amounts raised by the non-financial sector.

Foreign real estate companies raised NIS 5 billion. Of this, NIS **2.1 billion** was raised by **four US real estate companies, which carried out initial bond offerings to the public on TASE.** The new offerors are: **Wharton Properties** (NIS 898 million), **Encore Properties** (NIS 517 million), **Waterstone** (NIS 407 million), and **Southern Properties**(NIS 276 million).



At the end of June a fifth, international real estate company made a first bond offering in TASE – **WCG** (NIS 410 million).

These companies join the 18 US real estate companies that raised NIS 8.3 billion from initial bond offerings on TASE since 2008. In the light of this, **on July 16 a new bonds index will be launched, "Tel Bond - Global"**, which will include non-linked bonds at fixed interest rates issued by foreign companies without any connection to Israel at the cost of at least an A- rating by "Maalot" or 3A rating by "Midroog".

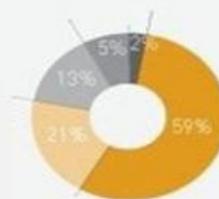
Well-established real estate companies raised NIS 15.3 billion. These companies have maturities of quoted bonds for NIS 9 billion in 2017 and NIS 7.5 billion in 2018. Among the largest offerings carried out: **Azrieli Group** raised NIS 1.4 billion, the company having maturities of quoted bonds for a similar amount in the period 2017-2019, and **Melisron**, which raised NIS 1.8 billion, and also has maturities of quoted bonds for a similar amount in the period 2017-2019.

- **Investment and holding companies and companies in the energy and oil and gas exploration sectors** raised NIS 4 billion in each sector.

Among the largest issuers in the **investment and holding companies sector**, the largest offerings were by **IDB Development** and **Delek Group** for NIS 1 billion each, the companies having maturities of quoted bonds for NIS 0.9 and 1.5 billion respectively in the years 2017-2018, and the **Israel Corporation** for NIS 0.8 billion, having maturities for quoted bonds in a similar amount this year.

Among the largest issuers **in the energy and oil and gas exploration sector**, the largest offerings were by the oil and gas partnership **Isramco**, which raised for the first time on the bonds market NIS 1.6 billion with an AA-rated dollar-linked bond, and the **Israel Electric** company, which raised NIS 1.4 billion. The company has a maturity of a quoted bond for NIS 1.8 billion this year.

- **Companies in the trading and services sector** raised NIS 2.8 billion. The largest issue was carried out by the satellite company **Space-Communications** for NIS 1 billion, intended mainly to fund the acquisition of the Amos 17 satellite.
- Nine offerings from **the financial sector raised NIS 5.4 billion**, the leader being **Mizrahi Tefahot** bank that raised NIS 2.7 billion - the bank has maturities of quoted bonds of NIS 4 billion this year; and **Discount** bank, which raised 0.8



billion with a COCO-type shekel bond with fixed interest that contains a forced write-down mechanism for principal.

Government bonds:

Offerings of government bonds gross (in NIS millions):

	1-6/2017	1-6/2016	2016
Total	26,410	25,416	47,511

- **The Ministry of Finance (MoF) increased its offerings of bonds on TASE** on account of the government's budget deficit, and in the first half of the year raised NIS **26.4** billion, 67% of the amount through non-linked bonds at fixed interest and 33% through CPI-linked bonds. From MoF data it emerges that the government deficit for the period January-May came to NIS 3.2 billion, as compared with a surplus of NIS 0.6 billion in the corresponding period last year.

In addition, the MoF carried out a huge bonds offering in Europe and raised EUR 2.25 billion with two series of bonds with the lowest interest rates for the euro: EUR 1.5 billion from a 10-year bond at interest of 1.5%, and EUR 0.75 billion with a 20-year bond at interest of 2.375%.

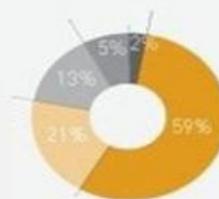
Derivatives market

Daily volumes (in thousand units):

	1-6/2017	Average 2016
Monthly options on TA-35 index	97	121
Weekly options on TA-35 index	29	40
Dollar options	55	52

- In the first half of 2017 the decline continued in activity in monthly options on the TA-35 index, a trend that commenced last year, as against the activity of the underlying asset. The volume in **monthly options on the TA-35 index** that came on average to 97 thousand units daily in the first half of 2017, was 20% lower than average volumes in 2016.

There was also a decrease in **weekly options on the TA-35 index** with on average to 29 thousand units traded daily in the first half of 2017, which was 30% lower than average volumes in 2016.



- **In dollar options** on average 55 thousand units were traded daily in the first half of 2017, a volume 7% higher on average than for the whole of 2016. The increase in activity in these options was influenced by the decrease of 8% in the dollar-shekel exchange rate from the beginning of the year, reaching a rate of NIS 3.50 at the end of May, notwithstanding dollar purchases by the Bank of Israel.

Exchange Trade Notes (ETNs)

- The public's holdings in the ETNETN market by end May had reached a value of NIS 71.6 billion in shares, similar to the value at the end of 2016, and to a value of NIS 38.5 billion in bonds and currency funds, as compared with NIS 40 billion at the end of 2016, with most of the decline being in currency funds.
 - In the first half of the year 3 new ETN were issued on the ETN market, on sectoral share indices in the USA. At the same time, trading ended on 7 ETN that were delisted: two funds based on local share indices and 5 ETN on international share indices. **Currently 687 ETN are traded on TASE**, of which: 431 ETN on shares indices, 235 on bonds indices, and 21 currency deposits.

Daily volumes (in NIS millions)

	1-6/2017	1-6/2016	Average 2016
ETN on shares indices	329	367	347
% volume of trading in shares	21%	28%	27%
ETN on bonds indices	141	236	197
% volume of trading in non-government bonds	13%	22%	19%

- **Daily trading volumes in ETN on shares indices** that came to NIS 333 million in the first half of the year, was 5% lower than the average volume in 2016. On February 9, on the eve of the launch of the reform of the shares indices, the volume of ETN jumped and came to NIS 710 million. The proportion of the volume of these ETN out of the total shares volume also declined from 27% last year to on average 21% since the beginning of the year.
- **Daily trading volumes in ETN on bonds indices** also declined and came to NIS 144 million in the first half of 2017, 28% lower than the average volume in 2016.

The decrease in trading volumes in ETN this year, a continuation of the trend from last year, contributed to an increase in the proportion of institutional investors in ETN, in parallel with a drop in the public's proportion, as evident from data from the MoF.